

Thrivent Small Cap Stock Fund

Q3 2021 Commentary

TSCSX (Class S) • September 30, 2021

Management



Matthew D. Finn, CFA
Senior Portfolio Manager
Industry since: 1985
Thrivent since: 2004
Fund since: 2013



James Tinucci, CFA
Senior Portfolio Manager
Industry since: 2008
Thrivent since: 2014
Fund since: 2015

Key Personnel



Michael Hubbard
Senior Portfolio Manager
Industry since: 2007
Thrivent since: 2018
Fund since: 2018

Executive summary

- The Fund outperformed the Russell 2000 Index over the past quarter and year, driven mostly by security selection. The largest contributors to the quarter were within the Health Care sector, and over the past year were within the Financials sector.
- New positions were initiated in both Health Care and Consumer Discretionary sectors, taking advantage of the volatility in stock prices.
- The focus remains on finding solid companies that are attractively priced with long runways for growth in sales, income, and free cash flow.

Performance factors

The Fund outperformed due to both security selection and sector allocation over the past quarter. Positive security selection was led by the Health Care and Financials sectors, while Consumer Discretionary was the major negative contributor. The largest detractor within the Consumer Discretionary sector was Stoneridge, a manufacturer of electrical components for cars and trucks, where customer supply chain disruptions have caused a slowdown in demand for their products. Medical aesthetics device manufacturer InMode was the largest contributor to stock selection within HealthCare, as second quarter results showed strong demand for their new products.

The Fund's sector weightings result from our security selection based on bottom-up industry and company research. Sector allocation was positive in most sectors with the underweight in the biotechnology sub-sector being the largest contributor.

During the quarter we initiated a position in ThredUp, a resale platform company currently operating in the secondhand apparel market. The opportunity to own this recent IPO presented itself because there was some uncertainty regarding the throughput and scalability of their platform. Our research discovered that they have a differentiated platform and a large opportunity to reduce operating expenses per order at their distribution centers. Our expectation of improved operating outcomes coupled with their scalability, low penetration in a large market, and ability to layer in new products allowed us to add a quality company to the portfolio at an attractive price.

The Fund outperformed due to both security selection and sector allocation over the past year. Positive security selection was led by the Financials, Health Care, and Consumer Discretionary sectors. Western Alliance Bancorp, a national lending bank with a decent sized hotel financing portfolio, was the largest contributor in the Financials sector.

The Fund's sector weightings result from our security selection based on bottom-up industry and company research. Sector allocation was positive in most sectors, with the largest contributor being underweight the biotechnology sub-sector, partially offset by the Fund's holding of cash in a rising market.

Portfolio outlook

With the current level of business uncertainty, hopefulness around a return to “normal”, the Federal Funds rate still near zero, and the government continuing to provide fiscal stimulus during the quarter, it is unclear by how much and how long the economy will be impacted. However, investor sentiment about the economy fluctuates much more rapidly and with greater amplitude than actual changes in activity. These swings in economic sentiment often result in sharp movements in stock prices, which can present opportunities. As a result, positions were added to or initiated in both Health Care and Consumer Discretionary sectors, while other positions were reduced or sold as investment theses played out or proved no longer valid. Our focus remains on finding solid companies that are attractively priced with long runways ahead of them for growth in sales, income, and free cash flow.

Thrivent Small Cap Stock Fund performance

Class S shares | For the period ending September 30, 2021

| Average annualized returns (%) Periods less than one year are not annualized. | 3 months | YTD | 1 year | 3 years | 5 years | 10 years |
|----------------------------------------------------------------------------------|--------------------|--------------------|--------------------|------------------|-----------------|-----------------|
| Thrivent Small Cap Stock Fund Class S share; Expense ratio: 0.84% | -1.38 | 18.80 | 61.61 | 14.89 | 17.57 | 16.38 |
| Russell 2000® Index¹ | -4.36 | 12.41 | 47.68 | 10.54 | 13.45 | 14.63 |
| S&P SmallCap 600® Index² | -2.84 | 20.05 | 57.64 | 9.44 | 13.57 | 15.69 |
| Lipper Small Cap Core Median | -2.28 | 17.70 | 50.26 | 9.00 | 11.38 | 13.45 |
| Lipper rank % | 29 (246 of 850) | 41 (345 of 844) | 15 (119 of 838) | 3 (19 of 794) | 1 (6 of 706) | 2 (9 of 488) |

Financial professionals: Contact us at sales@thriventfunds.com or call 800-521-5308

Any indexes shown are unmanaged and do not reflect the typical costs of investing. Investors cannot invest directly in an index.

¹Russell 2000® Index measures the performance of U.S. small capitalization equities.

²S&P SmallCap 600® Index represents the average performance of a group of 600 small capitalization stocks.

Risks: Smaller, less seasoned companies often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies. The Fund's value is influenced by a number of factors, including the performance of the broader market, and risks specific to the Fund's asset classes, investment styles, and issuers. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. These and other risks are described in the prospectus.

This commentary may refer to specific securities which the Fund(s) may own. This information should not be considered investment advice or a recommendation of any particular security, strategy or product. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on thriventfunds.com.

The Lipper median represents the median annualized total return for all reported funds in the classification. Lipper medians do not include sales charges/fees. If included, returns would have been lower. All rankings are based on total return and do not reflect sales charges. The lower

the Lipper percentile ranking, the better the fund performed against its peers. Source for ranking is Lipper, Inc., a Thomson Reuters company. Lipper assigns each fund to a category after scrutinizing its portfolio and assessing the fund manager's flexibility and aggressiveness. Once return figures have been determined, Lipper ranks the relative performance of all funds in a particular category against their respective peer group.

All data represents past performance. Past performance does not guarantee future results. The investment return and principal value of the investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance data quoted. Call 800-847-4836 or visit thriventfunds.com for performance results current to the most recent month-end.

Investing involves risks, including the possible loss of principal. The prospectus and summary prospectus contain more complete information on the investment objectives, risks, charges and expenses of the fund, and other information, which investors should read and consider carefully before investing. Prospectuses and summary prospectuses are available at thriventfunds.com or by calling 800-847-4836.

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